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Message Text

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67
ACTION ARA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 RSC-01

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04

SIL-01 L-02 H-01 PA-01 PRS-01 USIA-06 FEA-01 INT-05

OES-03 /090 W
---------- 055965
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FM AMEMBASSY CARACAS
TO SECSTATE WASHDC PRIORITY 7433
INFO AMEMBASSY ASUNCION
AMEMBASSY BOGOTA
AMEMBASSY BRASILIA
AMEMBASSY BRIDGETOWN
AMEMBASY BUENOS AIRES
AMEMBASSY GUATEMALA
AMEMBASSY KINGSTON
AMEMBASSY LA PAZ
AMEMBASSY LIMA
AMAMBASSY MANAGUA 278
AMEMBASSY MEXICO
AMEMBASSY MONTEVIDEO
AMEMBASSY PANAMA
AMEMBASSY PORT AU PRINCE
AMEMBASSY PORT OF SPAIN
AMEMBASSY QUITO
AMEMBASSY SAN JOSE
AMEMBASSY SAN SALVADOR
AMEMBASSY SANTIAGO
AMEMBASSY SANTO DOMINGO
AMEMBASSY TEGUCIGALPA

C O N F I D E N T I A L CARACAS 1032

E.O. 11652: N/A
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TAGS: ETRD, OAS, VE

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SUBJECT: EFFECT OF DENUNCIATION OF TRADE ACT IN VENEZUELA

1. VENEZUELA IS HIGHLY SATISFIED WITH THE OUTCOME OF THE RECENT MEETINGS OF THE OAS PERMANENT COUNCIL. EVEN BEFORE GOVERNMENT OF ARGENTINA DECISION TO POSTPONE BUENOS AIRES MFM MEETINGS, LOCAL PRESS PRAISED THE GOV'S ACTION AND DESCRIBED IT AS HIGHLY SUCCESSFUL. EL NACIONAL DESCRIBED GOV OPPOSITION TO THE TRADE LAW AS "DIPLOMATIC TRIUMPH." THE POSTPONEMENT OF THE MFM MEETING WILL BE INTERPRETED AS FURTHER ENHANCING THE GOV'S PRESTIGE AND REPUTATION AS A HEMISPHERIC LEADER.

2. MORE SIGNIFICANTLY, HOWEVER, VENEZUELA SUCCEEDED IN HAVING THE U.S. TRADE ACT DENOUNCED IN VARIOUS DEGREES BY ALMOST ALL MEMBERS OF THE OAS.

3. THE GOV USED ITS EXCLUSION FROM THE BENEFITS OF THE GSP AS AN OPPORTUNITY TO SHIFT POTENTIAL LATIN AMERICAN CRITICISM OF HIGH OIL PRICES TO THE POTENTIAL DANGER OF U.S. INTERFERENCE WITH EFFORTS TO ACHIEVE HIGHER PRICES FOR BASIC COMMODITY EXPORTS. ACCORDING TO STATE 18348, URUGUAY WAS THE ONLY COUNTRY TO MENTION THE HIGH PRICE OF OIL DURING THE OAS DELIBERATIONS.

4. THE EMBASSY QUESTIONS WHETHER VENEZUELA EVER PLACED MUCH IMPORTANCE ON ITS ATTENDANCE AT THE BUENOS AIRES CONFERENCE. HAVING ALREADY SAID ITS WORST THROUGH AMBASSADOR MACHIN AT THE OAS MEETING, VENEZUELA MAY HAVE FELT THAT IT HAD MORE TO GAIN BY POSING AS AN ABSENT MARTYR.

5. THE TRADE REFORM ACT WITH ITS SPECIAL REFERENCE TO THE APPLICATION OF THE GSP TO OPEC COUNTRIES HAS GIVEN CARLOS ANDRES PEREZ A HEAVEN-SENT OPPORTUNITY TO ASSERT HIS INFLUENCE AND TO ESTABLISH A DEGREE OF LEADERSHIP IN LATIN AMERICA. BY CONVERTING THE PARTICULAR ISSUE OF OIL INTO THE GENERAL ISSUE OF BASIC COMMODITY PRICES, HE HAS BEEN ABLE TO ASSUME THE ROLE OF A LEADER IN THE POPULAR CAUSE OF IMPROVING LDC TERMS OF TRADE WITH INDUSTRIALIZED COUNTRIES.

6. ON THE OTHER HAND, PRESIDENT PEREZ IS SMART ENOUGH NOT TO WANT TO JEOPARDIZE THE TRUE ECONOMIC INTERESTS OF HIS COUNTRY. HE REALIZES THAT FOR THE FORESEEABLE FUTURE VENEZUELA WILL CONTINUE CONFIDENTIAL

TO NEED THE INFUSION OF U.S. TECHNOLOGY, IF NOT CAPITAL, AND THAT THE U.S. WILL CONTINUE TO BE THE NATURAL MARKET FOR VENEZUELAN OIL. AS REPORTED PREVIOUSLY, VENEZUELAN OFFICIALS HAVE STATED PUBLICLY, AND PRESIDENT PEREZ HAS ASSURED THE AMBASSADOR IN PRIVATE, OF VENEZUELA'S INTENTION TO CONTINUE TO SUPPLY THE UNITED STATES WITH OIL.

7. WE MAY THEREFORE ASSUME THAT DESPITE THE RHETORIC AND

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BOMBAST IN PUBLIC FORA TO THE CONTRARY, THERE REMAINS AN UNDERLYING DESIRE ON THE PART OF THE GOV TO REACH ACCOMMODATION WITH THE UNITED STATES IN AREAS OF ESSENTIAL INTERESTS. HOWEVER, WE CANNOT EXPECT MUCH EVIDENCE OF THIS DESIRE IN MULTINATIONAL MEETINGS WHERE VENEZUELA PERCEIVES THAT ITS INTEREST IS TO BE IN THE VANGUARD OF THE LDC'S STRUGGLE AGAINST THE SO-CALLED ECONOMIC DOMINATION OF THE UNITED STATES.
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